

Message Text

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SUBJ: ECONOMIC/ COMMERCIAL OPERATIONS

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1. AS INDICATED DURING ECON/ COMMERCIAL OFFICER CONFERENCE SINGAPORE, EMBASSY HAS BEEN MOVING TOWARD COMPLETE INTEGRATION ECONOMIC AND COMMERCIAL OPERATIONS FOR PAST YEAR. GIVEN BELOW ARE (A) DESCRIPTION OF SECTION AS NOW ORGANIZED: (B) SOME THOUGHTS REGARDING PROPOSALS IN OMB STUDY; (C) OUTLINES OF FURTHER WORK TO BE DONE.

2. FIRST STEP INITIATED BY POST MORE THAN A YEAR AGO WAS TO GIVE EVERY OFFICER A MIX OF ECONOMIC AND COMMERCIAL ASSIGNMENTS. THIS RESULTED FOR A WHILE IN SOME OVERLAPPING AND OCCASIONAL COMPLAINTS ABOUT EXCESSIVE LAYERING MAINLY DUE TO EXPERIMENTS WITH COORDINATING APPROACHES WITHIN SECTION. MOST POSITIVE RESULTS WERE A BETTER SPREAD OF WORKLOAD IN SECTION AND GREATER OPPORTUNITIES/ RESPONSIBILITIES FOR MORE JUNIOR MEMBERS OF SECTION.

3 . IN LIGHT ABOUT SIX MONTHS EXPERIENCE WITH PRESENT STAFF AND ON BASIS DISCUSSIONS SINGAPORE, EMBASSY HAS BEEN WORKING INTO NEW PHASE WHICH INVOLVES A BLEND OF PROPOSALS IN OMB STUDY (SEEN BY EMBASSY OFFICERS FOR FIRST TIME DURING SINGAPORE CONFERENCE). OUR APPRAISAL OF THE TWO MAIN OMB SUGGESTIONS IN PART 3, CHAPTER V, (A) ORGANIZATION BY UNCLASSIFIED

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FUNCTIONAL " UNITS" AND (B) TASKING ON A " PROJECT- BY- PROJECT

BASES" IS THAT NEITHER COVERS THE CASE BY ITSELF. THE UNIT SYSTEM, QUITE ASIDE FROM ITS CTE POWER. DESPITE THE PROBABILITY OF FOREIGN SPECULATION TO THE CONTRARY, THE IMMEDIATE POST- GIMO ERA WILL NOT LIKELY SEE NEW FLUX IN ROC- PRC RELATIONS. DOMESTICALLY, WHILE A FEW MEMBERS OF PAST RIVALRIES MAY BE FANNED, THE SITUATION SHOULD CLOSELY RESEMBLE THE PRESENT.

21. CCK' S LEADERSHIP. SINCE ASSUMING THE PREMIERSHIP LAST MAY, CCK HAS PROVED TO BE A STRONG WIDELY RESPECTED LEADER AND HAS DEMONSTRATED CONSIDERABLE POLITICAL SKILL IN MAKING DECISIONS BENEFICIAL TO THE ROC' S CONTINUED STABILITY. HE HAS EASED TAIWANESE DISSATISFACTION BY INCREASING THEIR REPRESENTATION IN THE CABINET AND OTHER EXECUTIVE POSITIONS AS WELL AS IN THE CENTRAL LEGISLATIVE BRANCH, AND BY CREATING THE IMPRESSION OF GREATER GOVERNMENT INTEREST AND CONFIDENCE IN THEM. THIS PROCESS HAS BEEN FACILITATED BY REDUCED MAINLANDER CONCERN OVER TAIWAN INDEPENDENCE ACTIVITY FOLLOWING THE MOVEMENT' S COLLAPSE UNDER THE WEIGHT OF INTERNATIONAL DEVELOPMENTS. WHILE SATISFYING MOST TAIWANESE, HE HAS NOT YET SIGNIFICANTLY WEAKENED THE MAINLANDER MONOPOLY OF POLITICAL AND MILITARY POWER AND THUS HAS AVOIDED ALIENATING HIS BASIC SUPPORT. ASSISTED BY A WIDELY FELT NEED FOR UNITY, THESE MEASURES HAVE PROMOTED RECONCILIATION BETWEEN TAIWANESE AND MAINLANDERS TO THE POINT WHERE FRICTION BETWEEN THE GROUPS DOES NOT NOW CONSTITUTE A SIGNIFICANT POLITICAL ISSUE.

22. THROUGH SUPPLEMENTARY ELECTIONS, WELL- PUBLICIZED
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ATTACKS ON OFFICIAL CORRUPTION AND INEFFICIENCY, AND ADMINISTRATIVE REFORMS, CCK HAS SATISFIED PUBLIC EXPECTATIONS OF MORE EFFECTIVE GOVERNMENT PERFORMANCE. THE MILITARY, A DECLINING POLITICAL FORCE IN RECENT YEARS, APPEARS RESPONSIVE TO HIS WISHES AND TO HAVE GRUDGINGLY

ACCEPTED THE GOVERNMENT' S POLICY OF HOLDING DOWN SOMEWHAT ON DEFENSE EXPENDITURES. PROBABLY AT NO TIME SINCE ITS REMOVAL TO TAIWAN HAS THE GOVERNMENT ENJOYED SO FAVORABLE A PUBLIC IMAGE. CCK' S PERFORMANCE TO DATE HAS SUBSTANTIALLY REDUCED EARLIER CONCERN, PARTICULARLY EVIDENT AMONG THE TAIWANESE ABOUT HIS SUPPOSED SOVIET-STYLE SECRET POLICE PROCLIVITIES AND REPLACED IT WITH WIDESPREAD ACCEPTANCE OF HIM AS THE LEADER NOW BEST SUITED TO GUIDE THE ROC.

23. PROBLEMS. POCKETS OF DISSATISFACTION REMAIN. INTELLECTUALS ARE UNHAPPY OVER PERSISTING TOTALITARIAN

ELEMENTS OF ROC RULE AND WITH THE CONTINUED INFLUENCE OF SUPERANNUATED HOLDOVERS. THE TAIWANESE AMONG THEM CONTINUE TO BE UPSET BY WHAT THEY CONSIDER TOKENISM TOWARD ALLOWING TAIWANESE POLITICAL POWER, BUT THESE INTELLECTUALS LACK POPULAR BACKING FOR THEIR CAUSE.

24. THE ROC' S RAPID ECONOMIC DEVELOPMENT HAS BEEN BASED ON A GROWING EXPORT SECTOR LED BY LIGHT INDUSTRY. THE COMPARATIVE ADVANTAGE IN LABOR INTENSIVE INDUSTRIES MAY NARROW APPRECIABLY BECAUSE OF INCREASING COMPETITION FROM OTHER DEVELOPING STATES AND RISING LOCAL WAGE LEVELS. THE LATTER FACTOR MAY BE OFFSET BY SIMILAR PHENOMENON IN DIRECTLY COMPETING COUNTRIES.

25. THE CURRENT TREND ON TAIWAN IS TOWARD MORE CAPITAL INTENSIVE INDUSTRY AND MORE DIVERSIFIED, SOPHISTICATED PRODUCT LINES. THESE DEVELOPMENTS TOGETHER WITH IMPROVED MANAGERIAL AND MARKETING METHODS SHOULD ENHANCE THE ROC' S COMPETITIVE POSITION IN RELATION TO BOTH DEVELOPING AND DEVELOPED COUNTRIES, SPECIFICALLY INCLUDING JAPAN, AND STRENGTHEN IMPORT SUBSTITUTION INDUSTRIES AT HOME.

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WYM THE AGRICULTURAL SECTOR, WHILE LONG A MODEL FOR ASIAN DEVELOPMENT, HAS FALLEN BEHIND THE RAPID GROWTH OF INDUSTRY, AND THE GAP BETWEEN INCOMES OF THE URBAN AND RURAL POPULATION HAS WIDENED. HIGH COST OF FARM EQUIPMENT AND MATERIALS, GROWING AGRICULTURAL LABOR SHORTAGES, SMALL SIZE OF LAND HOLDINGS, AND POOR MARKETING ARRANGEMENTS ARE PROBLEMS WHICH REMAIN TO BE SOLVED BEFORE AGRICULTURAL PROSPERITY CAN BE ENSURED.

27. OTHER PROBLEMS COMMON TO A RAPIDLY INDUSTRIALIZING STATE, INCLUDING URBAN CONGESTION, POOR HOUSING CONDITIONS FOR LOWER INCOME FAMILIES, AND AN UNDERDEVELOPED TRANSPORTATION SYSTEM, ARE PRESENT, BUT APPEAR TO BE MANAGEABLE AT THE PRESENT STAGE OF DEVELOPMENT. THE GOVERNMENT IS TAKING STEPS TO HOLD DOWN INFLATIONARY PRESSURES WHICH HAVE RECENTLY GROWN.

28. GENERAL ACCEPTANCE. IN SUM, THERE IS AT PRESENT LITTLE MEANINGFUL PRESSURE FOR DRASTIC CHANGE ON THE INTERNAL SCENE; LESS, IN FACT, THAN IN MANY YEARS. THE GOVERNMENT HAS MOVED SKILLFULLY AND FAR ENOUGH TO SATISFY DEMANDS FOR A MORE RESPONSIVE PERFORMANCE. THE VAST MAJORITY OF THE EDUCATED TAIWANESE FEEL THAT TAIWANESE PARTICIPATION IN THE POLITICAL PROCESS IS MOVING AT A TOLERABLE PACE AND THAT THEIR EVOLUTIONARY PROGRESSION TO POWER IS WELL UNDER WAY. ASIDE FROM THE REAL DANGER

THAT EXTERNAL EVENTS COULD SET OFF A DOWNWARD SPIRAL
TOWARD INSTABILITY, THE ONE FRAGILE ELEMENT IN THE
PICTURE APPEARS TO BE THE QUESTION OF SUCCESSION TO
CHIANG CHING- KUO. NO CANDIDATE HAS APPEARED AND CCK' S
SUDDEN DEATH COULD SET OFF AN UNSETTLING JOCKEYING FOR
POWER. THE CHANCES ARE, HOWEVER, THAT THE REMAINING
LEADERS AND THE BUREAUCRACY WOULD PROVE RESILIENT AND
ENLIGHTENED ENOUGH TO PATCH TOGETHER SOME NEW ARRANGE-
MENT.

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